

## Value for Money: How to think about earned revenue

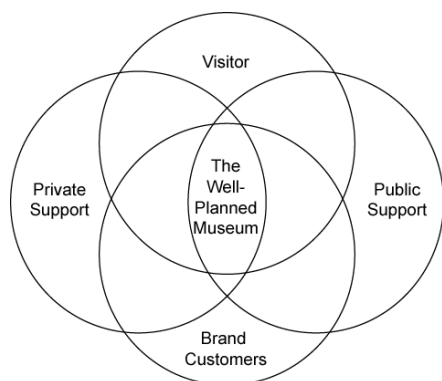
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**I hear a lot about how we need a new business model for museums or that the current business model is broken. We have business models; we just may need to evolve them.**

For museums, continuing revenue comes from four sectors (Visitors and Program Customers, both earned revenues, and Public and Private Supporters, both support revenues), each with its own interests. This article focuses on earned revenue opportunities and how to think about them, particularly those available to children's museums.

***Table 1 Servant of Four Masters***



In order to pay the bills, museums make sure that they provide value to their four “masters,” especially to those masters who pay the largest share. The shape of any product is determined in the long run by the people who pay for it, and so, over time, museums reflect the interests of their largest revenue sectors.

Because the marketplace is always changing, museum revenue sources and mixes will too; so will their business models and so will the people who run models and so will the people who run them, if they are clever. The urge for a new business model is really an urge to shift the revenue balances. This is best done in dialog with the targeted revenue sectors, all of which, in their own ways, are looking for value for their money. If museums want to earn that money they have to find out what the people in those revenue sectors value and provide it to them in a branded learning service that also serves the museum's mission.

The key aspect of a museum's business model is that museum visitation is free choice. To take Exploratorium founder Frank Oppenheimer's famous phrase, "No one flunks a museum," one step further, no one has to come to them either. In practice, this means people have to want to come to museums, and children's museums are very much in the marketplace competing for disposable dollars, time and effort.

**Wrong: "A good museum should be able to support itself through earnings."**

There are still board members and public officials who assume that if theme parks and attractions can be run profitably, why not museums? I have heard board members at children's museums refer to the support portion of the annual budget as the museum's "deficit" that needs to be made up through raising funds.

There is often pressure from the board to increase earned revenues, but everyone needs to recognize that support revenues are also market transactions, providing both sides with value. Governments get civic benefit from museums; corporations get recognition and public visibility; and donors pursue foundation or personal agendas. A well-run museum's support revenues are not about charity but about value for contributors' money. There is little reason why a museum should turn its back on such revenues by trying to cover 100 percent of its costs through earned revenues.

**Value for Money**

Museums get funding not because of their needs, but because they offer solutions to other people's needs. Value for money is a free-market principle with a long history. Value-for-money thinking recognizes that museums are free-choice learning institutions, and that free choice applies to all revenue sources as well. There are plenty of alternate uses for whatever funds legislators, donors, foundation program officers, school systems, public agencies, regional businesses, individual households and visitors have available. While coercion and marketing can have short-term effects, it is only when the value and cost equation across the relationship is mutually satisfying and beneficial over a period of time that it can be assumed that both sides of the transaction are receiving sufficient value.

Value for money, of course, is about more than money. Time, and more recently, effort—the energy to get up and leave the cocoon—have become more important, particularly among visitors and program customers, given their growing range of options set against their limited time, disposable income and willingness to make the effort.

Fortunately, children's museums are rich in different kinds of value; the trick is to translate those values into money, not to spend more money to create more value. Children's museums have the potential for brand expansion, leveraging their value and public trust through a range of branded learning experiences and their associated support services. As much as possible, new learning services should be built on what is already in place and using current resources. Recycle, adapt, re-interpret, re-theme. It's the green thing to do, too.

Each children's museum branded learning service needs to be thought about as a money-for-value transaction, with a number of such overlapping transactions making it all work—grant funds, sponsor agreements, promotional partners, visitors and program customers—each revenue source engaged in the museum in ways that give them more value, in their eyes, than the money they are spending.

***New Core Brand Definition: Experiential Learning***

The market has already responded to (or perhaps instigated) a growing interest in the importance of learning in a knowledge society. The traditional, nonprofit community resources for free-choice learning are being challenged by commercial entities: museums by top-quality theme parks; libraries by creative bookstores; public broadcasters by focused cable and radio stations; and children's museums by local pay-for-play establishments.

This competition does not mean museums should shy away from the “learning market.” Museums have large capital investments in their buildings, collections and exhibits. Museums have strengths, assets and responsibilities that give them considerable leverage against commercial competition: Museums are America's most trusted source of information (AAM 2001; Rosenzweig and Thelen 1998). It does mean, however, that all museums have to be very good at delivering learning services, focusing on their areas of expertise and being mindful of the public trust in them as authoritative sources.

How do museums distinguish their services? One answer lies in their unique physicality, which is traceable to their traditions in exhibits and collections. Unlike other free-choice learning media, museums offer learning experiences in real time and real space with real objects and real phenomena. Museums offer direct experience.

Experiential learning is museums' strength, and it clearly distinguishes what museums do from their free-choice learning cousins in libraries and public broadcasting. Exhibits, collections, buildings, outreach programs, theaters, endowments and everyone in the museum profession are but means to the museum's purpose.

The museum niche in the learning market is experiential learning. A rearrangement of the same

words shows another dimension of this core business: learning from experience.

Beyond that purpose shared by all museums, children's museums have more specific purposes. Children's museums have several unique strengths that are important to households with young children and, therefore, to potential revenue sources that are uniquely theirs:

- Expertly designed physical activities appeal to parents of pre-literate children not yet ready for the advanced mental processes required in traditional museums.
- Interdisciplinary approaches reflect the way young minds see their world without blinders.
- Multi-generational shared learning experiences can be enjoyed by the whole family.
- Trusted as safe places, both physically and intellectually, for children to grow.

These strengths apply to children's museum exhibit galleries, but they also can build many more branded learning services that children's museums can offer with a clear sales edge.

### **Branding**

If a museum's core business is experiential learning, its brand should reflect that. The brand is not just for marketing purposes; it is the "family name" and honor. The brand is who the museum is and what it stands for.

Exhibit galleries are the foundation of a museum's brand. Physically and symbolically, the main building is the mothership, the platform for its family of learning services. From the building—the museum's home and brand statement—flows a range of branded learning services and products.

So, does a museum bring learning value to all of its services? And is it necessary to brand everything? I believe that it is critically important that all museum services reflect the institution's values, and yes, they should all be proudly branded. This will require creativity, market sensitivity and change, but in the end should make the services more distinctive, more engaging and more profitable.

### ***Branded Learning Services for Visitors and Program Customers***

Because a museum's core business is learning, I thank museum consultant Jeanne Vergeront for leading me to think of all its public beneficiaries as learners. I have found it useful to divide learners into two broad service markets: visitors and program customers. While the contexts may be different, both markets are learners and users of a museum's learning services. I use "visitor" reluctantly but for clarity as it is the field's standard term. Visitors are the people who come to the physical facilities and enter their exhibit halls and theaters. Program customers are the people who trust the museum brand sufficiently to use its other learning services. The difference is motivation: "What brought you here today?" Visitors come for exhibits; program

customers come for specific events or activities, like a class, birthday party or camp-in. Visitors one day can be program customers another day, and vice versa. Conversion of one to the other is a key earned revenue strategy, particularly with museum members.

Visitors are most usefully categorized by the social context for their visit, as most museum visits are social events involving school groups, families or friends. Focusing on social learning rather than individual dynamics alone is key to effectively reaching the visitor audience segment.

Program customers, however, are an emerging market, and we do not yet have mature ways of categorizing them. Perhaps the simplest is by kind of customer—regional households, teachers, professionals/ hobbyists, businesses and organizations, etc.

### **Full Menu of Learning Services for Children’s Museums**

Like all museums, children’s museums have two earned revenue sectors: visitors and program customers. Within each sector there are many options of branded learning services that can be marketed; the menu contains much more than just an exhibit ticket or a birthday party rental.

A museum should maximize its potential earned revenue sources just as it should maximize its support revenues. Continuing to put all expectations for earned revenue into attendance is not prudent. Of course the museum galleries must still be very appealing and will continue to be the prime attraction, but museums need more if they want continuing sustainability. Non-visitor (i.e. program customer) learning products and services are likely to be the greatest earned revenue growth area for the museum field in the next decades. For instance, a learning center, studio facilities or an active preschool are appropriate extensions of a children’s museum’s mission that, if creatively run, can generate net returns and serve the mission. Many more potential earned revenue learning services for children’s museums are listed in Table 2.

Some learning spaces are free, others are admission-based. Some learning spaces focus on fee-based programs, others are retail. But the brand enforces that all learning spaces, services and products relate to experiential learning and reflect the museum’s values. Each museum has a family of such resources, and in principle, they should all be equally loved, equally respected and equally challenged to fulfill the purpose. Get rid of bias favoring some services over others, and infuse everything with mission. Move away from terms like “ancillary” or “commercial” services, and proudly make them all branded learning services.

### ***New thinking about driving repeat attendance***

### **The Museum Home as a Mothership**

Given an improving economy, the next generation of investment should shift toward the enrichment of existing architecture (over building more space), making the museum a more efficient mothership capable of supporting expanded learning services, some of them delivered off-site. On-site, museums need to make their learning spaces rich with information access and to think of them as changeable stages that operate in multiple modes for many experiences.

### **Invest in the Ability to Change**

A commitment to change as a positive force to ride, not resist, leads to flexibility in all approaches. Successful museums will continue being successful only if they want to change constantly, evolving through community input, research, partner opportunities, new revenue potentials, emerging technologies and most importantly, staff creativity.

Branded learning services happen in all learning spaces, and each learning space should have a tactic for change. In all museums, including children's museums, the clearest connection to earned revenue is the need to drive repeat visits and membership through new exhibits and programs or by adding value or refreshing existing ones. Using exhibit galleries as the most common example of a branded learning experience, management has at least eight tactics for changing a gallery's content and experience.

- Some exhibit installations are long-term investments intended to change through *gradual evolution*, like a hands-on gallery.
- Staff and volunteer *floor programs*, while labor-intensive, are easily changeable aspects in exhibit galleries.
- Some exhibits, particularly those that are collections-based, can be *reinterpreted* by a curator with new labels and lighting.
- Other learning spaces change scenarios by *re-arranging their kit of parts* and filling them with new contents, like showcases and quiet space galleries.
- Some galleries change in a large, marketable way by installing new exhibits and environments on long term *exhibit structures*.
- Some galleries are *open, neutral spaces* for traveling exhibitions.
- Theaters are also learning spaces, and the *new shows, films and demonstrations* are the productions that change.
- Workshops, resource centers and libraries can be used in many ways or have a wealth of information, and their repeat-use tactic is to be *open-ended or deep*.

Each learning space can have appropriate change tactics assigned to it, and it can then be designed with built-in systems and infrastructure—the experience platform—to facilitate changing content according to that tactic.

Attracting repeat visitors, however, needs what I call marketable change, which means the marketing director can run a campaign based on the promise that there is something so new, so important or so big that it is worth another visit. This is more about the scale of the change than the tactic of how the

change happens, although some tactics are better for large-scale changes than others. Traveling exhibitions are marketable changes, as are new scenarios with new content installed in those specially outfitted exhibit galleries that management has decided will be dedicated to marketable change.

While most managers want changing exhibits and programs, some donors, exhibit designers and teachers are interested in permanent exhibits because of their longer impact, greater budgets and consistent message. In order to drive repeat attendance, museum leadership needs to decide how much should be permanent and how much should change—a tricky balance to determine.

### ***Value for Money as a Way of Thinking***

Value for money is a way of thinking that can improve relationships with all four of a museum's principal revenue sectors: private supporters, public supporters, visitors and program customers. In a way, all the money a museum receives is earned—each source of funding provides some form of value in return.

Value for money is not the only perspective, nor does the bottom line of every program always have to show a net gain. These are policy choices, such as: How important are the interests/agendas of the museum's revenue sources and audiences compared to the museum's internal interests/agenda? If the museum's agenda is more important and different, can museum leadership justify it and still find revenue sources to cover the costs? (Note: beware of unfunded/unwanted mandates.) What are the museum's financial expectations—net cash returns, break-even, or to be supported? And by whom? This is particularly important when contemplating capital investments in new learning services/ facilities: Will the investment result in new net cash to the institution or add more costs than incremental revenues from all sources? How risky are these bets? Is there enough wealth, time and effort in a museum community's cultural/educational ecosystem to sustain the growth the museum is planning?

A value-for-money approach, however, does not mean that you have to shut down community access programs. Just as hospitals feel honor-bound in the emergency room to treat people without health insurance, the heart-and-soul values shared among children's museums could never refuse learning services to those who really want to participate but can't pay. Among museums, children's museums already average one of the highest shares of earned revenue, and correspondingly, one of the lowest shares of support. This big picture suggests that growth of support revenue may be children's museums' main long-term opportunity. But there is little appetite for that in the present economy, so now may be a window to focus efforts and innovation on building earned revenue, while holding on to whatever support the museum has. This article discusses earned revenue as value-for-money transactions. By way of example, I applied that approach to children's museums: to the brand as a platform for many

experiential learning services; to a full menu of possible learning services for visitors and program customers; and to driving repeat attendance through investing in tactics to facilitate change. But these are only some of the ways to think about and increase earned revenue—others are explored in this issue’s other articles. At the end, readers may have some specific recipes and tactics, but more importantly, I hope that they gain a way of thinking about earned revenue that can be creatively applied to children’s museums in many communities. Entrepreneurship can be exciting, challenging, creative, rewarding, and yes, hard work and risky. And in today’s economy it is an essential part of producing a vibrant yet sustainable museum. If you want money, think about how your museum can provide each of the four masters—visitors, program customers, private supporters and public supporters—with value in return. Plan for fun, but think analytically and critically about how to achieve it.

## **Branded Learning Services for Children’s Museums (Partial Listing of Options)**

### **Visitor Revenues**

#### ***Exhibit Galleries***

- Long-Term Galleries
- Changing Theme Galleries
- Temporary Exhibit Galleries

#### ***Theaters***

- Giant Screen (e.g., IMAX®) Theater
- 3D Digital Cinema
- Multi-Purpose Auditorium
- Planetariums
- Live Performance Theaters

#### ***Surcharge Exhibit Features***

- Feature Exhibition Center
- Outdoor Exhibit Park
- Insectarium/Butterfly Pavilion

#### ***Membership***

#### ***Events***

- Ethnic/Cultural Events
- Artisan Craft Fairs
- Theme Weekends

#### ***On-Site Retail***

- Museum Shop
- Make-and-Take Center

#### ***Visitor Support Services***



Café  
Food Cart  
Vending  
Member Center

***Facilities in Satellite Locations***

Libraries  
Medical/Hospital Centers  
Magnet Schools  
Airport Discovery Zones  
Malls

**Customer Revenues**

***Web Services***

On-line Communities and Services  
Social Web Sites  
Special Interest Blogs

***Learning & Conference Center***

Program Fees  
Camps (On- and Off-Site)  
Community Meetings  
Teacher Development  
Conference Center  
Homeschoolers Curriculum Center

***Team Project Centers***

Family Project Center  
Digital Family History Center  
Youth Club

***Recognition, Award & Challenge Programs***

Competitions, Contests/Rallies  
Seal of Approval Licensing  
Sponsor Recognition Programs

***Co-Production Events***

Birthday Parties  
Value-Added Themed Catering & Functions  
Food Service to Functions, Programs & Events

***Research***

Internships  
Grants

***Facility & Site Partnerships***

Museum Residential/Commercial Development

Lease Space to Affiliated Organizations

Magnet or Charter Schools

***Early Learning Services***

Preschool

Daycare Center

Parenting Resource Center

***Outreach Programs***

School Programs

Library Programs

Afterschool Learning Programs

Community Services

Community and School Fairs

Topical Fairs (Science, Health & Wellness, School Readiness, etc.)

***Learning Resources Production***

Exhibits

Publications

Program Supplies and Materials

Online Curricula

***Learning Resources Distribution***

Off-Site Branded Retail

Sales to Other Museums

Table 2

How do you choose which of these are right for you? Some you may be doing already – are they scalable? Some may fit better than others with your values, strengths, market and/or resources. Some may be risky and some may require capital. Use your decision framework to evaluate.

[End]

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